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Message Text

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47
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /058 W
---------- 013831
R 061402Z DEC 76
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 9527
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS

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E.O. 11652: NA
TAGS: ELAB
SUBJECT: CENTRAL WAGE NEGOTIATIONS FAIL

REF: THE HAGUE 6254

1. TO NO ONE'S SURPRISE, SOCIAL AFFAIRS MINISTER BOERSMA ANNOUNCED NOV 30 THAT TRIPARTITE NEGOTIATIONS ON 1977 WAGES HAVE FAILED TO PRODUCE CENTRAL AGREEMENT. NEGOTIATIONS WILL NOW BEGIN AT INDUSTRY BRANCH LEVEL.

2. PRIMARY STUMBLING CLOCK WAS EMPLOYERS' REFUSAL TO CONTINUE PRACTICE OF NEGOTIATING IN TERMS OF REAL WAGE INCREASE AND COMPENSATING FOR INFLATION ON TOP OF THAT. UNIONS INSISTED ON AUTOMATIC PRICE COMPENSATION. GOVERNMENT PROPOSAL TO CONTINUE AUTOMATIC PRICE COMPENSATION WHILE STUDYING ALTERNATIVES WAS UNACCEPTABLE TO BOTH SIDES.

3. ACTUAL GAP BETWEEN EMPLOYERS' OFFER AND UNION DEMAND IN TERMS OF WAGES WAS LARGE, BUT NOT UNBRIDGEABLE. EMPLOYERS OFFERED A MAXIMUM OF A 2.5 PERCENT INCREASE IN JANUARY WITH ADDITIONAL TWO PERCENT IN JULU. UNIONS WANTED 4.5 PERCENT IN JANUARY WITH FULL PRICE COMPENSATION IN JULY. (INFLATION FOR THAT PERIOD IS FORECAST AT 3.8 PERCENT.) GOVERNMENT CONTENDED THAT ACTUAL DIFFERENCE IN TERMS OF PURCHASING POWER WAS SMALL WHEN SOCIAL SECURITY TAX CHANGES
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WERE ACCOUNTED FOR. EXECUTIVES OF PHILIPS CORPORATION CONFIDED TO ECON COUNSELOR THAT EMPLOYERS' POSITION WAS HARDENED BY SUSPICION THAT UNIONS, WITH GOVERNMENT ACQUIESENCE, WERE SEEKING RELATIVELY MODERATE SETTLEMENT IN JANUARY FOR ELECTION PURPOSES AND THAT UNIONS WOULD EXPAND DEMANDS IN POST-ELECTION DISCUSSIONS FOR JULY PRICE COMPENSATION.

4. COMMENT: DESPITE POTENTIAL THREAT TO ITS ANTI-INFLATION PROGRAM, GOVERNMENT IS PROBABLY PLEASED TO BE OUT OF CONTROVERSIAL WAGE NEGOTIATIONS SO NEAR TO ELECTIONS. BASIC POSITIONS OF PARTIES ARE NOT LIKELY TO CHANGE AT INDUSTRY BRANCH LEVEL. BUT OPPORTUNITY TO CONSIDER RELATIVE HEALTH OF DIFFERENT SECTORS COULD MAKE COMPROMISE EASIER FOR BOTH SIDES. AGAINST BACKGROUND OF HIGH UNEMPLOYMENT AND SLOWING ECONOMIC RECOVERY, IT APPEARS UNLIKELY THAT SECTOR WAGE NEGOTIATIONS WILL LEAD TO A GENERAL DETERIORATION IN INDUSTRIAL RELATIONS CLIMATE, ALTHOUGH THERE MAY BE SOME INCREASE IN INDUSTRIAL ACTION IN COMING MONTHS.
MCCLOSKEY

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